

**CEIOPS – MIB SCHOOL OF MANAGEMENT SEMINARS**

**INSURANCE GROUPS SUPERVISION SEMINAR  
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*“QIS 4 and the Italian insurance industry.  
An overview”*

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# AGENDA

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- **QIS 4: main results and findings for Italy**
  - **Participation rate**
  - **Financial impact**
  - **SCR composition**
  - **Qualitative feedback**
  
- **Concluding remarks**

# **QIS 4 - main results and findings for Italy**

# Participation rate (solo entity)

## QIS 4

|                               |              |           |
|-------------------------------|--------------|-----------|
| <b>Composite Undertakings</b> | Large        | 10        |
|                               | Medium       | 5         |
|                               | Small        | 1         |
|                               | <b>Total</b> | <b>16</b> |
| <b>Non Life Undertakings</b>  | Large        |           |
|                               | Medium       | 20        |
|                               | Small        | 16        |
|                               | <b>Total</b> | <b>36</b> |
| <b>Life Undertakings</b>      | Large        | 7         |
|                               | Medium       | 15        |
|                               | Small        | 14        |
|                               | <b>Total</b> | <b>36</b> |
| <b>Total</b>                  |              | <b>88</b> |

## QIS 3

|                               |              |           |
|-------------------------------|--------------|-----------|
| <b>Composite Undertakings</b> | Large        | 13        |
|                               | Medium       | 4         |
|                               | Small        | 1         |
|                               | <b>Total</b> | <b>18</b> |
| <b>Non Life Undertakings</b>  | Large        |           |
|                               | Medium       | 15        |
|                               | Small        | 11        |
|                               | <b>Total</b> | <b>26</b> |
| <b>Life Undertakings</b>      | Large        | 5         |
|                               | Medium       | 14        |
|                               | Small        | 10        |
|                               | <b>Total</b> | <b>29</b> |
| <b>Total</b>                  |              | <b>73</b> |

**Total Large: 17 (QIS 3: 18)**

**Total Medium: 40 (QIS 3: 33)**

**Total Small: 31 (QIS 3: 22)**

- Non life market share: 87% (QIS 3 - 82%)
- Life market share: 83% (QIS 3 - 71%)

# Overall Financial Impact

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## Technical Provisions

- QIS 4 TP generally lower than current TP, for both Life and Non-Life

## Capital Requirements

- QIS 4 capital requirement **increases** over Solvency I for **Non-Life** and **Composite insurers** (the increase is lower than that obtained in QIS 3); it **decreases** for **Life insurers** (the decrease is larger than that obtained in QIS 3)

## Available capital

- QIS 4 Available Capital increasing in comparison with Solvency I (almost entirely Tier 1)

## Solvency Ratios

- QIS 4 solvency ratio is **lower** than the current solvency ratio for **Non-Life** and **Composite undertakings**; it is **higher** than the current solvency ratio for **Life undertakings**

## MCR

- Overall MCR/SCR ratio is about 38% on average

**QIS 4 solvency ratio is higher than QIS 3 solvency ratio**

**(Please note: still favourable market conditions)**

# BSCR composition

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- Life firms: **market risk** represents the major part of BSCR
- Non life firms: **underwriting risk** represents the major part of BSCR
- Composite firms: **market risk** dominates BSCR

## QIS 4 vs QIS 3 : some differences

- **Equity Risk** still the major component of market risk, but decreasing in comparison with QIS 3
- **Concentration Risk** weight still significant, even more than in QIS 3
- Within **Life Underwriting Risk**, Cat risk decreases and, conversely, Lapse risk strongly increases. Weight of **Mortality Risk** almost doubled

# Qualitative Feedback

## 1. General

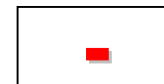
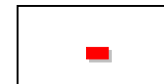
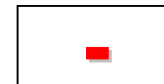
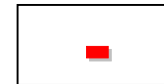
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- Consultation during pre-text phase
- Additional time for group calculations
- Extensive documentation and guidance
- Simplifications



**but ...**

- Frequent spreadsheet updates
- Some modules excessively complicated (e.g. counterparty default risk)
- In certain areas, too many options or alternative calculations (e.g. groups)
- Some aspects need further guidance (e.g. deferred tax liabilities)



### **Best Estimate calculation**

- Difficulties in splitting Life BE per risk driver

### **Market Value Risk Margin**

- 6% CoC rate
- Diversification benefits

### **SCR modules**

#### **Market risk:**

- Equity risk
- Property risk

#### **Counterparty default risk:**

- Unrated insurance intermediaries

#### **Life underwriting risk:**

- Lapse Risk

#### **Non life underwriting risk:**

- Reserve risk

#### **Operational risk:**

- Uncorrelated to other risks?

# Concluding remarks

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- Strong support to the project. QIS 4 very useful exercise (financial impact, degree of preparedness, use of internal models, etc.)
- Implementing measures expected in 2010. CEIOPS final advice in October 2009. A very tight agenda
- Framework Directive: approval from EP and Council at the beginning of 2009?
- The Italian insurance industry keen to cooperate



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